

Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 IGA-02 SSO-00 NSCE-00 INRE-00

SS-15 NSC-10 PA-03 PRS-01 EB-11 L-03 H-03 PC-04

CIAE-00 INR-10 NSAE-00 RSC-01 COME-00 OMB-01 TRSE-00

RSR-01 /106 W

----- 057487

O R 101735Z AUG 73

FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 8286

USIA WASHDC IMMEDIATE

INFO AMCONSUL GUAYAQUIL

UNCLAS QUITO 4175

E.O. 11652: N/A

TAGS: ETEL, EAID, EFIS, EC

SUBJECT: UPI ARTICLE CITING DEPARTMENT ON ITT

REF: QUITO 4174; USINFO DTG P101620Z AUG 73

1. EL COMERCIO AUGUST 10 CARRIED UPI STORY CONTAINING STATE DEPARTMENT DENIAL THAT U.S. HAD SUSPENDED ECONOMIC AID TO ECUADOR AFTER BEING PRESSURED BY ITT.

2. STORY APPEARED AS FOLLOW-ON TO EARLIER UPI STORY REPORTING ON BUSINESS WEEK ARTICLE SAYING ITT HAD HELD BACK U.S. ASSISTANCE TO ECUADOR IN AMOUNT OF \$15 MILLION. SAME STORY APPEARED AUGUST 9 IN MANTILLA-CHAIN ULTIMAS NOTICIAS BUT WITH FIGURE OF \$415 MILLION AS AMOUNT HELD BACK. REPORTED IN REFTTEL.

3. DEPARTMENT'S DENIAL GIVEN ONE-LINE SUBHEAD, "STATE DEPARTMENT DENIES," AND STORY ON BUSINESS WEEK ARTICLE GIVEN THREE-COLUMN FRONT-PAGE HEAD: "DENY THAT ITT KEPT U.S. FROM GIVING AID TO ECUADOR," WITH SUBHEAD, "U.S. MAGAZINE BUSINESS WEEK SAYS \$15 MILLION HELD UNCLASSIFIED

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BACK."

4. TRANSLATION OF ARTICLE FOLLOWS: "THE STATE DEPARTMENT TODAY ENERGETICALLY DENIED A BUSINESS WEEK ARTICLE STATING THAT ECONOMIC AID TO ECUADOR HAD BEEN DENIED AFTER BEING PRESSURED BY ITT. OFFICIALS OF THE DEPARTMENT EXPLAINED THAT THREE BILATERAL LOANS AMOUNTING TO \$21,500,000, WERE HELD BACK IN 1971 BECAUSE OF ECUADOREAN ARRESTS OF U.S. TUNA BOATS AND EXPROPRIATION OF AN ITT SUBSIDIARY. THE OFFICIALS SAID THAT THE ACTION RELATED TO ITT'S PROPERTY WAS BASED ON THE POLICY CONCERNING CASES OF EXPROPRIATION OF U.S. FIRMS WITHOUT COMPENSATION WHICH WAS ENUNCIATED EARLIER BY PRESIDENT NIXON.

"ACCORDING TO THE STATE DEPARTMENT, ECONOMIC ASSISTANCE FOR ECUADOR WAS REINSTATED IN NOVEMBER 1971 AFTER THE CESSATION OF ARREST OF TUNABOATS AND AFTER THE QUITO GOVERNMENT ARRIVED AT A 'FRIENDLY AGREEMENT' WITH ITT.

"U.S. ECONOMIC AID TO ECUADOR WAS \$28 MILLION IN 1970 AND \$25 MILLION IN 1971, AND \$12 MILLION IN 1972."

5. AN EDITOR'S NOE AT END OF STORY STATED THAT THE UPI STORY FOR AFTERNOON PAPERS INDICATED THE AMOUNT INVOLVED WAS \$415 MILLION BUT IN A LATER CABLE UPI CORRECTED THE FIGURE TO SAY THAT IT WAS \$15 MILLION INSTEAD OF 415 AS ERRONEOUSLY REPORTED.

6. EL COMERCIO ALSO QUOTED DENIAL BY JAMES E. BULLEN, GENERAL MANAGER OF ITT SUBSIDIARY INTERNATIONAL STANDARD ELECTRIC DEL ECUADOR (ISEL). BULLEN STATED BUSINESS WEEK ARTICLE ALLEGING ITT PRESSURE TO HOLD UP LOANS TO ECUADOR WAS ABSOLUTELY FALSE AND WITHOUT FOUNDATION. HE WAS QUOTED AS SAYING ITT HAD NOT MADE ANY GESTURE TOWARD SUSPENDING AID AND THAT U.S. LOANS TO ECUADOR HAD FOLLOWED COMPLETELY NORMAL PROCEDURES.

7. BULLEN WAS DIRECTLY QUOTED BY EL COMERCIO AS FOLLOWS: "I THINK IT IS CRAZY TO SAY THAT WE ARE UNCLASSIFIED

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STOPPING LOANS TO ECUADOR WHEN, ON THE OTHER HAND, IN NOVEMBER 1972 WE HAD OFFERED A LOAN OF \$40 MILLION FOR TELECOMMUNICATIONS - A LOAN THAT IS STILL UNDER CONSIDERATION BY THE MINISTRY OF FINANCE. THIS IS ONE OF THE SOFTEST AND MOST GENEROUS LOANS EVER OFFERED TO ECUADOR."

8. ARTICLE CONTINUED: "BESIDES REITERATING THAT ITT

NEVER HAD REQUESTED THAT THE U.S. GOVERNMENT SUSPEND AID TO ECUADOR, BULLEN CONSIDERED IT POSSIBLE THAT SOME OFFICIAL OF THE U.S. GOVERNMENT COULD HAVE MADE A PERSONAL GESTURE IN THIS DIRECTION. FINALLY, HE QUALIFIED THE (UPI) WIRE SERVICE STORY AS SIMPLY SPECULATION WHICH, HE STATED, IS DEMONSTRATED BY THE WRONG FIGURES QUOTED.

9. "REGARDING THE NEGOTIATION ON COMPENSATION TO ITT FOR NATIONALIZATION OF THE SUBSIDIARY FIRM ALL AMERICAN CABLES AND RADIO, MR. BULLEN SAID THAT HE DID NOT HAVE ANY EXACT KNOWLEDGE OF THE MATTER BUT EX-

PRESSED HIS BELIEF THAT THE PROBLEM IS TOTALLY SOLVED, LACKING ONLY A SMALL COMPENSATION PAYMENT BY ECUADOR."

10. EL COMERCIO COVERAGE ENDED WITH PUBLICATION OF EMBASSY STATEMENT MADE AUGUST 9:

11. "THE COMMUNIQUE OF THE AMERICAN EMBASSY SAYS THE FOLLOWS:

12. "1. THE \$415 MILLION MENTIONED AS AID WITHHELD FROM ECUADOR IS SEVERAL TIMES GREATER THAN U.S. ASSISTANCE IN DEVELOPMENT LOANS OVER THE LAST 20 YEARS.

13. "2. THE UNITED STATES HAS NOT VOTED AGAINST ANY PAST OR PENDING LOAN TO ECUADOR FROM ANY INTERNATIONAL INSTITUTION.

14. "3. ON THE QUESTION OF WHETHER ITT HAS HELD UP ANY LOAN, WE REFER YOU TO THE FOREIGN MINISTRY AS THE UNCLASSIFIED

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BEST SOURCE."
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